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September 18, 2002

Ex Parte

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: *Joint Application by Verizon for Authorization To Provide In-Region, InterLATA Services in States of Delaware and New Hampshire,* Docket No. 02-157

Dear Ms. Dortch:

On September 17, 2002, D. May, M. Glover, K. Grillo, and K. Zacharia from Verizon met with W. Maher, T. Navin, H. Thaggert, U. Onyeije, S. Bergmann, and J. Carlisle from the Wireline Competition Bureau. At the request of the staff, this letter provides additional details relating to its August 12, 2002 and September 13, 2002 ex partes.

1. Verizon's August 12, 2002 letter explained that in March, May, and June 2002, Verizon sent several different "winback" letters that invited customers in several Verizon states (including New Hampshire and Delaware) to choose Verizon's local services. The letters were part of multi-jurisdictional marketing efforts that targeted small business customers. Although the principal focus of the mailings was to market Verizon's local services, the letters also mentioned Verizon long distance along with other voice and data products. Because the letters were intended for use in multiple states, they should have included a standard disclaimer stating that not all services were available in all states. Unfortunately, the standard disclaimer was omitted from some printings of these letters. Approximately 950 customers in Delaware and 1,500 customers in New Hampshire received letters that did not include the required standard disclaimer. None of the customers that received the letters in New Hampshire and Delaware received long distance service as a result of the letters.

Verizon discovered these letters in connection with the overall review of its long distance marketing efforts that it undertook upon learning of the direct mail and bill insert advertising that Verizon voluntarily disclosed during the course of the New Jersey application. As part of that overall review, Verizon also has implemented additional controls that are designed to prevent mistakes, as well as to detect and correct any that do occur. Several of those measures are directly relevant here, and are intended to ensure that long distance offers are not sent to customers in non-section 271 authorized states and that multistate/multiproduct mailings that include mention of long distance contain appropriate disclaimers.

First, Verizon is no longer printing any direct mail that refers to long distance service for distribution in a particular state until after section 271 authority is effective in such state; this should prevent direct mail marketing of long distance service before Verizon receives section 271 authority. Second, Verizon is now using separate letter shops to handle mail for states in which Verizon does and does not have section 271 approval; this should avoid the circumstance where a letter shop accidentally places long distance-related material in a mailing for customers in an unauthorized state. Third, all direct mail advertising for long distance services must be formally approved before mailing by at least the director level of management; this check includes ensuring that these materials contain accurate long distance service availability information. Fourth, Verizon now imposes a three-point check on all addresses used in long distance campaigns. Addressees in unauthorized states are "scrubbed off" direct mail address lists by both Verizon and its suppliers. Verizon and its suppliers verify that the number of mail pieces actually deposited for delivery matches the intended number of mailings. And, direct mail is sent only to persons whose billing and service addresses are verified as being in the same section 271 authorized state.

2. During the course of its overall review, Verizon also discovered two other categories of items that relate to New Hampshire and Delaware. These include certain calling card calls that were incorrectly branded as Verizon calls (but were not billed by Verizon), and a small number of instances in which service representatives incorrectly accepted orders for long distance service from customers (but the controls in place prevented service from being provisioned).

a. Verizon's September 13, 2002 letter explained that since June 2000, approximately 2,500 calling card calls originating in various non-section 271 authorized states have been misbranded as Verizon calls. Approximately 150 of these calling card calls originated in Delaware and approximately 100 of them originated in New Hampshire. Verizon did not bill customers for any of these calls.

The calling card calls that are relevant here are only those calls made by Verizon customers who do not receive local service from a former Bell Atlantic local exchange carrier (for example, Verizon long distance customers who receive local service from a former GTE local exchange carrier who are traveling in a former Bell Atlantic state and make a calling card call). In states where Verizon is authorized to provide long distance service, calling card calls originated by these customers are routed and transported by WorldCom on behalf of Verizon. WorldCom transports the calls to a calling card platform operated by Verizon GNI where they are branded as Verizon calls and returned to WorldCom for completion on behalf of Verizon. In states where Verizon does not have long distance authority, calling card service is provided through a teaming arrangement with an unaffiliated carrier known as USAN.[1] Calling card calls originating from these states are also routed and transported by WorldCom, but are carried by WorldCom on behalf of USAN under separate arrangements between those companies. These calls are branded by the calling card platform as USAN calls before being completed by WorldCom on behalf of USAN. In some instances, however, a limited number of long distance calling card calls were routed to the Verizon portion of the platform and were incorrectly branded as "Verizon" instead of "USAN." WorldCom billed Verizon for these calls, but Verizon did not bill the customers for the incorrectly branded calls that originated from non-section 271 authorized states.

Verizon has implemented additional controls relating to long distance calling card calls. Currently, any long distance calling card calls that originate in non-section 271 authorized states that should not, but do, reach the Verizon (or certified) portion of the platform are blocked and cannot complete over WorldCom facilities that Verizon resells.

b. Verizon's overall review of its long distance marketing processes also revealed a limited number of instances in which sales representatives incorrectly accepted orders from customers, including a small number located in New Hampshire and Delaware. In each instance, however, Verizon's pre-existing controls caught the error and service was not provisioned. And, as described below, Verizon has strengthened those controls still further.

The bulk of these instances (approximately 45) occurred in New Hampshire between February 2002 and June 2002 when Verizon was performing internal operational readiness tests on its systems. In order to assess the operations of the long distance network and billing systems in the state, Verizon loaded its Carrier Identification Codes into the sales ordering systems and Verizon local exchange carrier switches to permit test calls to be made from various Verizon locations. Sales representatives were specifically instructed not to accept long distance orders during the test period in states where Verizon did not yet have section 271 authority, and not to change any customers' PICs to Verizon Long Distance. Despite this training and instruction, some sales representatives mistakenly accepted and submitted a small number of orders for New Hampshire customers in connection with both inbound customer calls and outbound telemarketing calls.

None of these customers were provided service because the mistaken orders were detected and corrected by Verizon's provisioning controls. During the test period, Verizon ran a daily scan of its order processing system to detect any non-test orders that might be incorrectly submitted. Any non-test order was cancelled, the customer was notified, and his or her PIC was restored to the original carrier. Although the customers' PICs were temporarily changed to Verizon in the local switch, no interLATA service was (or could be) provided because Verizon's

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1 The Commission previously has approved these types of teaming arrangements. *See, e.g.*, Memorandum Opinion and Order, *In the Matter of AT&T Corp. v. NYNEX Corporation, et al.*, 16 FCC Rcd 16087 (August 22, 2001).

long distance network will permit only test calls that originate from specifically identified test telephone numbers to travel on the network.

In June 2002, Verizon implemented additional edits to its consumer order entry system to detect non-test orders in non-section 271 authorized states. (A similar edit at that time was unnecessary for business order entry systems because Operational Readiness Testing was not then conducted in a live environment on the business side.) By the end of September 2002, Verizon will implement an additional edit that will prevent any representative who is not specifically participating in Operational Readiness Testing from inputting orders during testing periods.

In addition, service representatives also accepted orders in a small number of unrelated other instances. Again, however, none of these orders were provisioned.

-- Between February and July 2002, sales representatives accepted approximately 5 orders from business customers at one of its outbound telemarketing centers (known as its Megacenter). None of the orders were provisioned because they were detected and corrected by Verizon's internal controls.

-- Between January 1, 2001 and June 30, 2002, sales representatives mistakenly accepted approximately four orders for toll-free numbers that terminated in Delaware and approximately thirteen orders for toll-free numbers that terminated in New Hampshire. These orders were placed during both inbound customer calls and outbound calls. All of these orders were identified and screened out by Verizon's provisioning systems and none of these customers received long distance service as a result of the orders.

-- In May and June 2002, sales representatives mistakenly accepted orders from six customers for long distance service in Delaware. These orders were all placed via inbound customer calls. At that time, the service order processor did not contain an edit to screen orders based on a number's NPA/NXX, but Verizon's provisioning controls nonetheless detected the orders and prevented them from being provisioned.[2] Verizon has since modified the service order processor so that it will reject any order for a telephone number with an NPA/NXX that corresponds to a non-section 271 authorized state, including Delaware.

-- Verizon has also identified one sales representative who mistakenly provided a price quote to a customer for long distance service in Delaware. In this instance, a customer called one of Verizon's centers that deals with small business accounts (known as the Exton Business Partnership Channel) and requested a quote for long distance service in Delaware. The sales

2 In one case, a billing account was created for a customer for an international long distance plan. Since the customer was not PIC'd to Verizon, Verizon did not carry or bill any interLATA calls. However, the customer was incorrectly billed $6.40 in monthly charges for an international long distance plan. Verizon has since credited the customer for the incorrectly billed amount.

representative orally quoted long distance rates to this customer. The sales representative's supervisor identified the error on the same day and notified the sales representative immediately. The customers was contacted, informed of the error, and told that Verizon did not yet have authorization to provide long distance services in Delaware.

These human errors occurred despite significant controls Verizon had in place to prevent such mistakes. Prior to these incidents, all sales representatives, including outbound telemarketers, were trained not to accept orders in non-section 271 authorized states. Verizon LEC sales representatives (who sell long distance services to customers who call the Verizon service center) were instructed on long distance launch dates and regularly monitored to make certain that they offered only those products permitted in a particular state. Verizon also engaged in significant oversight of its third-party telemarketers by, among other things, supervising both the timing and content of each telemarketing campaign and instructing telemarketers when calls could begin. Verizon provided each vendor with the "scripts" its sales representatives must follow in offering Verizon service and ensured telemarketing representatives received training on Verizon's products and practices. As an added quality control, Verizon employed an independent third party to observe all its telemarketing vendors.

Given the fact that some errors occurred despite these controls, Verizon recently reviewed its activities relating to marketing and selling long distance service and has improved these controls even further. Verizon has reissued service alerts and improved training to internal sales representatives reemphasizing that Verizon is authorized to provide long distance only in certain states. In June 2002, Verizon temporarily stopped all outbound telemarketing by vendors in the former Bell Atlantic states until Verizon could complete a review of each of its telemarketing vendors to ensure that their practices were consistent with Verizon policies. Vendors were not authorized to resume telemarketing calls until they successfully completed this review process.

Conclusion

These isolated mistakes do not provide an independent ground to reject Verizon's Application. In the New Jersey Order, the Commission considered — and rejected — AT&T's claim that the application should be denied. And the incidents in this case involve substantially fewer customers than the incidents at issue in the New Jersey Order.

Moreover, the key facts on which the Commission relied in reaching its previous decision are present here. First, Verizon has begun "developing additional internal safeguards to prevent incidents of this nature from occurring in the future" in New Hampshire and Delaware as well as in other states. New Jersey Order ¶ 189. Second, as in New Jersey, even assuming that Verizon's conduct constitutes a violation of the Act, "the allegations do not relate to the openness of the local telecommunications markets to competition," and the Commission must therefore "reject AT&T's argument that we should deny or delay this application under the public interest standard" and "not make any further determination here." Id. ¶ 190. As the

Commission has held, this issue is appropriately addressed, if at all, through other means. <u>See id.</u>

Please let me know if you have any questions. The twenty-page limit does not apply as set forth in DA 02-1497.

Sincerely,

cc: W. Maher
J. Carlisle
H. Thaggert
V. Schlesinger
T. Wilson
G. Remondino
U. Oneije
T. Navin
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R. Tibayan Remy